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ABSTRACT

It is argued that the Federal government's youth employment and training policy is at a crossroads and that a budget-cutting Administration and a deficit-conscious Congress face a choice between shortchanging American youth with subminimum pay or investing in employment, training, and education for the present and future of young people. First, the following aspects of the situation are discussed: the current labor force status of youth; employment progress between 1975 and 1979; the decline from 1979 to 1983; and the positive results of the Youth Incentive Entitlement Pilot Projects. Overall teenager employment trends are tabulated along with unemployment among White, Black and Hispanic teens. Next, estimates for "real" jobless rates for States and select metropolitan areas for February 1985 are tabulated. School dropouts and joblessness are then discussed and the school enrollment and labor force status of teens and 20-24 year olds are tabulated. The percent of subgroups not enrolled in school with less than a high school diploma is also tabulated. An evaluation of how the Job Training Partnership Act has served youth follows, and an argument is made against the Administration's proposal to introduce a subminimum wage for youths. And finally, legislative actions that would maintain and create jobs and training and educational opportunities for youth are considered. (RDN)

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A FIRST FRIDAY REPORT

ED257912

YOUTH EMPLOYMENT:

INVESTING IN THE FUTURE OR SHORTCHANGING OUR YOUTH

May 3, 1985

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For further information or additional copies of this report, contact:

Full Employment Action Council
815 16th St., N.W.
Washington, D.C. 20006
(202) 393-7415

YOUTH EMPLOYMENT:
INVESTING IN THE FUTURE OR SHORTCHANGING OUR YOUTH

Introduction

Federal youth employment and training policy is at a crossroad. Existing programs of proven effectiveness like the Job Corps and the Summer Youth Employment Program under the Job Training Partnership Act are in jeopardy. The Administration proposes a subminimum "Youth Opportunity Wage," while some members of Congress advance substantial, needed youth initiatives that would require new expenditures. In jockeying for support, a budget cutting Administration and a deficit conscious Congress face the dilemna of shortchanging our youth with subminimum pay or investing in employment, training, and education for the present and future for young people.

Youth Employment Situation

> David, a Black high school graduate who is 18 years old, is the sole support of his single-parent mother who is unemployed. He has a temporary job in building maintenance paying the minimum wage, which ends in September. He has signed up for a summer job in hopes of finding something more permanent that will allow him some future. If a subminimum wage is approved, he must keep the temporary job and hope that he can find something else in September.1/

Although the American economy has created more and more jobs, it has been unable to keep up with the number of persons entering the labor force. Despite nearly two and a half years of supposedly sustained economic recovery, young people are worse off than they were ten years ago. They continue to shoulder a disproportionate share of the unemployment burden; their loss of full-time jobs has been substantial; and more and more who would prefer full-time work have had to settle for part-time jobs. The alleged recovery has left teens in a worse position than in 1978 and 1979, our last recovery period.

It is true that we have had progressive improvement since the worst days of 1982 right on into 1985. But it is important to put that upturn into perspective by looking at the labor force status of America's teenagers over the last 10 years.

1/ Cases cited in this report are actual young people, but their names have been changed.

Current Labor Force Status — Overall unemployment in 1984 averaged 7.5 percent nationally. When long-term discouraged workers and persons working part-time due to economic reasons are included, "real" unemployment averaged 13.6 percent last year.

That national average, however, masks the disproportionate burden that teenagers shoulder. Often the "last hired and first fired," young people have experienced jobless rates that are more than double the overall figure. Last year the official unemployment rate for teenagers was 18.9 percent. The "real" teenage jobless rate was 30.6 percent.

Youth rates for minorities have been even higher. Black teenagers had an official unemployent rate of 42.7 percent, but a real rate of 58.1 percent. Similarly, Hispanic teenagers had an official jobless rate of 23.7 percent, but a "real" jobless rate of 38.5 percent.

Tables 1, 2, 3, and 4 provide detailed information on the labor force status of teenagers, White teenagers, Black teenagers and Hispanic teenagers.

1975-1979: A Period of Progress — Between the second quarter (just after the 1973-75 recession) of 1975 and the first quarter of 1979, as noted in Tables 5 and 6, every single official measure of the health of our nation's youngest workers showed positive signs of vitality. Despite an increase of nearly 300,000 in the teen population, strong private sector job growth coupled with the major federal youth initiatives implemented through the Youth Employment Demonstration Projects Act (YEDPA) contributed to the highest post-World War II teenage labor force participation rates and levels of employment. The number of working teens rose by nearly 1.2 million, an increase of 16.2 percent, resulting in just under half of the teenage population being able to secure employment. It is also clear from available research that a major portion of the improvement in the employment situation of minority youths during this period resulted from the creation of subsidized jobs made possible by the YEDPA legislation. Moreover, the official teen unemployment rate was reduced by more than 20 percent during this period.

1979-1983: Prospects Worsen — Beginning in late 1979, however, this positive progress began to erode and continued to do so through 1983. Even with the slight improvements in 1984, the labor force participation rates of teenagers fell substantially over the five year period, and the official unemployment rate, an understatement of the true degree of

joblessness, rose markedly. The net result was that all of the relative employment gains of teenagers in the previous 5 years were wiped out between late 1979 and 1983.

Another alarming facet of the youth employment situation is the continually widening gap between the percentages of employed Black and White teens. In 1955, the employment/population ratio (i.e., the percentage of the population actually working) of White and Black teenagers was virtually the same. In the past 30 years an annually widening gap between two groups has been the pattern. Presently a White teenager is nearly 2½ times more likely than a Black teen to be employed.

Results of Intervention — The only situation when this destructive pattern of disadvantagement was reversed occurred during the experience of the Youth Incentive Entitlement Pilot Projects. From the spring of 1978 through the summer of 1980 disadvantaged teens in 17 urban and rural poverty areas were guaranteed employment, provided they complied with certain school enrollment and attendance requirements.

The program produced dramatic increases in employment for the target population. The employment effect for young Blacks was especially large. Black male employment increased from two-thirds of the White male rate to parity with that level. Black female employment increased even more, from two-thirds of the White female rate to one-third above it. Thus, it is clear that targeted job creation strategies do work effectively and that when opportunities are available, disadvantaged teenagers will come forward in substantial numbers to take the jobs.

TABLE 1

ALL 16-19 YEAR OLDS UNEMPLOYMENT
(in thousands)

Year	Official Civilian Labor Force	Total Labor Force (includes) Discouraged Workers	Employed	Unemployed	Part-time for Economic Reasons	Discouraged Workers	Total Jobless & Under-employed	Official Unemploy-ment Rate %	Real Unemploy-ment Rate %
1977	9,351	9,512	7,688	1,363	725	161	2,549	17.8	27.3
1979	9,638	9,761	8,033	1,555	651	123	2,329	16.1	23.9
1983	8,171	8,391	6,342	1,829	948	220	2,995	22.4	35.7
1984	7,943	8,099	6,444	1,499	826	156	2,481	18.9	30.6

Source: Bureau of Labor Statistics, U.S. Department of Labor.

TABLE 2

WHITE 16-19 YEAR OLDS UNEMPLOYMENT
(in thousands)

Year	Official Civilian Labor Force	Total Labor Force (Includes) Discouraged Workers	Employed	Unemployed	Part-time for Economic Reasons	Discouraged Workers	Total Jobless & Under-employed	Official Unemployment Rate %	Real Unemployment Rate %
1977	8,352	8,518	7,068	1,284	153	166	1,603	15.1	18.8
1979	8,548	8,628	7,356	1,193	562	80	1,835	14.0	21.3
1983	7,198	7,335	5,799	1,387	417	149	1,953	19.3	26.6
1984	6,952	7,050	5,836	1,116	700	98	1,914	16.0	27.2

Source: Bureau of Labor Statistics, U.S. Department of Labor.

TABLE 3

BLACK 16-19 YEAR OLDS UNEMPLOYMENT
(in thousands)

Year	Official Civilian Labor Force	Total Labor Force (includes) Discouraged Workers	Employed	Unemployed	Part-time for Economic Reasons	Discouraged Workers	Total Jobless & Under-employed	Official Unemploy-ment Rate %	Real Unemploy-ment Rate %
1977	861	905	508	354	19	44	417	41.1	46.1
1979	912	953	579	333	76	41	450	36.5	47.2
1983	809	875	416	392	51	66	509	48.5	58.2
1984	827	881	474	353	105	54	512	42.7	58.1

Source: Bureau of Labor Statistics, U.S. Department of Labor.

TABLE 4

HISPANIC 16-19 YEAR OLDS UNEMPLOYMENT
(In thousands)

Year	Official Civilian Labor Force	Total Labor Force (includes) Discouraged Workers	Employed	Unemployed	Part-time for Economic Reasons	Discouraged Workers	Total Jobless & Under-employed	Official Unemploy-ment Rate %	Real Unemploy-ment Rate %
1977	493	505	381	113	43	12	168	22.9	33.3
1979	551	559	445	106	43	8	157	19.2	28.1
1983	520	540	373	148	58	20	226	28.4	41.8
1984	527	548	402	125	65	21	211	23.7	38.5

Source: Bureau of Labor Statistics, U.S. Department of Labor.

TABLE 5

Trends in the Labor Force Status of Teenagers in the U.S. 1975 II-1979 I
(Numbers in 1000's, Seasonally Adjusted)

Measure	1975 II	1979 I	Change Between 1975 II-1979 I
Civilian Noninstitutional Population	16,380	16,675	+295 (+ 1.8%)
Civilian Labor Force	8,849	9,745	+896 (+ 10.1%)
Employed	7,045	8,186	+1,141 (+16.2%)
Unemployed	1,803	1,559	-244 (-13.5%)
Civilian Labor Force Participation Rate	54.0%	58.4%	+4.4%
Unemployment Rate	20.4%	16.0%	-4.4%
Employment/ Population Ratio	43.0%	49.1%	+6.1%

TABLE 6

Recent Trends in the Labor Force Status of All Teens (16-19) in the U.S., 1979-1984 (Annual Averages, Numbers in 1000's or %)

Labor Force Variable	Year 1979	1980	1981	1982	1983	1984	Absolute Change 1979-1984 (Relative Change in Brackets)
Civilian Noninstitutional Population	16,657	16,543	16,214	15,763	15,274	14,735	-1,922 (-11.5%)
Civilian Labor Force	9,638	9,378	8,988	8,526	8,171	7,934	-1,704 (-17.7%)
Civilian Labor Force Participation Rate	57.9	56.7	55.4	54.1	53.5	53.9	-4.0 (-6.9%)
Employed	8,083	7,710	7,225	6,549	6,342	6,440	-1,643 (-20.3%)
Employment/ Population Ratio	48.5	46.6	44.6	41.5	41.5	43.6	-4.9 (-10.1%)
Unemployed	1,555	1,669	1,763	1,976	1,829	1,499	-56 (-3.6%)
Unemployment Rate	16.1	17.8	19.6	23.2	22.4	18.9	+2.8 (+17.4%)

Sources: (1) U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics Derived from the Current Population Survey: A Databook, Volume 1, Bulletin 2096.

(2) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1983; January 1984; and January 1985.

STATE AND COMMUNITY DATA

Tables 7, 8, and 9 provide estimates for "real" jobless rates for states and select metropolitan areas for February 1985, the period for which the most recent figures are available. The real rates are based on a national calculation that takes into account discouraged workers and those working part-time for economic reasons. In February 1985, nine states and one of the most populous metropolitan areas had jobless rates above 10 percent. All of the metropolitan areas ranking in the top 20 for joblessness had official rates above 12 percent, in comparison to only one area hitting this level in 1979. The "real" unemployment rates for those top 20 areas ranged from 22.1 percent to 41.3 percent. Despite recent improvements, 41 states are worse off than they were in 1979, a pre-recessionary year. In February 1985, nine states had official unemployment rates above 10 percent. When discouraged and underemployed workers are included, 44 states had "real" double digit rates of unemployment last month.

Young persons residing in hard hit areas and regions face particular problems in gaining and securing employment. At the national level official teenage jobless rates have been running 2½ times the overall average. If that ratio is applied to hard hit communities, official local teenage jobless rates could run as high as 24 percent in New York City, 36 percent in Pittsburgh, 42 percent in Gary, Indiana, and 60 percent in McAllen, Texas.

TABLE 7

TWENTY HIGHEST METROPOLITAN AREAS UNEMPLOYMENT (%)

		Annual Average 1979		February 1985 (most recent)	
	Location	Official Rate	Real Rate	Official Rate	Real* Rate
1.	McAllen-Edinburg-Mission, TX	12.0	20.4	23.9	41.8
2.	Modesto, CA	11.8	20.1	18.8	32.9
3.	Laredo, TX	10.7	18.2	17.6	30.8
4.	Gary-Hammond, IN	6.6	11.2	16.9	29.6
5.	Kenosha, WI	5.2	8.8	16.4	28.7
6.	Stockton, CA	9.9	16.8	15.7	27.5
7.	Lake Charles, LA	6.8	11.6	15.5	27.1
8.	Brownsville-Harlingen, TX	8.5	14.5	15.4	27.0
9.	Fresno, CA	8.0	13.6	15.2	26.6
10.	Johnstown, PA	8.9	15.1	15.1	26.4
11.	Wheeling, WV	6.4	10.9	14.8	25.9
12.	Waterloo-Cedar Falls, IA	4.8	8.2	14.4	25.2
	Beaver County, PA	N/A	N/A	14.4	25.2
13.	Salinas-Seaside-Monterey, CA	8.1	13.8	14	24.5
14.	Duluth, MN	5.8	9.9	13.9	24.3
15.	Vineland-Millville-Bridgeton, NJ	9.7	16.5	13.8	24.2
16.	Davenport-Rock Island-Moline, IL	4.4	7.5	13.4	23.5
17.	Beaumont-Port Arthur, TX	5.9	10.0	13.2	23.1
18.	Kankakee, IL	8.1	13.8	13.0	22.8
19.	Bakersfield, CA	8.6	14.6	12.7	22.2
20.	Terre Haute, IN	6.0	10.2	12.6	22.1

SOURCE: Bureau of Labor Statistics.

*/ The real rate of unemployment takes into account the numbers of officially unemployed, part-time for economic reasons and discouraged workers. In February, the official unemployment rate was 7.3 percent, while the real jobless rate was 12.8 percent.

TABLE 8

TWENTY LARGEST METROPOLITAN AREAS UNEMPLOYMENT (%)

		Annual Average 1979		February 1985 (most recent)	
	Location	Official Rate	Real Rate	Official Rate	Real* Rate
1.	New York, NY	8.1	13.8	9.6	16.8
2.	Los Angeles-Long Beach, CA	5.5	9.4	6.7	11.7
3.	Chicago, IL	5.2	8.8	8.1	14.2
4.	Philadelphia, PA	6.9	11.7	6.6	11.9
5.	Detroit, MI	8.0	13.6	N/A	N/A
6.	San Francisco-Oakland, CA	5.6	9.5	4.8	8.4
7.	Washington, D.C.	7.5	12.8	8.6	15.1
8.	Boston, MA	5.3	9.0	3.5	6.1
9.	Dallas-Fort Worth, TX	3.6	6.1	4.5	7.9
10.	Houston, TX	3.3	5.6	7.5	13.1
11.	St. Louis, MO	5.4	9.2	8.7	15.2
12.	Pittsburgh, PA	5.9	10.0	11.5	20.1
13.	Minneapolis-St. Paul, MN	3.3	5.6	4.8	8.4
14.	Baltimore, MD	6.6	11.2	6.6	11.6
15.	Cleveland, OH	5.0	8.5	8.3	14.5
16.	San Diego, CA	6.2	10.5	5.6	9.8
17.	Atlanta, GA	4.6	7.8	4.7	8.2
18.	Miami, FL	6.3	10.7	6.8	11.9
19.	Phoenix, AZ	4.4	7.5	4.3	7.5
20.	Seattle-Everett, WA	5.3	9.0	8.1	14.2

SOURCE: Bureau of Labor Statistics.

*/ The real rate of unemployment takes into account the numbers of officially unemployed, part-time for economic reasons and discouraged workers. In February, the official unemployment rate was 7.3 percent, while the real jobless rate was 12.8 percent.

TABLE 9

STATE UNEMPLOYMENT RATES %

State	Annual Average 1979		February 1980 (Moste Recent)	
	Official Rate	Real Rate	Official Rate	Real Rate
Alabama	7.1	12.1	10.9	19.1
Alaska	9.2	15.6	10.8	18.9
Arizona	5.1	8.3	5.6	9.8
Arkansas	6.2	10.5	9.5	16.6
California	6.2	10.5	7.4	13.0
Colorado	4.8	8.2	7.0	12.3
Connecticut	5.1	8.7	5.4	9.5
Delaware	8.0	13.6	7.4	13.0
District of Columbia	7.5	12.8	8.6	15.1
Florida	6.0	10.2	5.8	10.2
Georgia	5.1	8.7	6.1	10.7
Hawaii	6.3	10.7	4.5	7.9
Idaho	5.7	9.7	9.6	16.8
Illinois	5.5	9.4	9.4	16.5
Indiana	6.4	10.9	10.9	19.1
Iowa	4.1	7.0	9.4	16.5
Kansas	3.4	5.8	5.6	9.8
Kentucky	5.6	9.5	9.7	17.0
Louisiana	6.7	11.4	11.6	20.3
Maine	7.2	12.2	6.8	11.9
Maryland	5.9	10.0	5.8	10.2
Massachusetts	5.5	9.4	4.4	7.7
Michigan	7.8	13.5	10.2	17.9
Minnesota	4.2	7.1	7.0	12.3
Mississippi	5.8	9.9	11.3	19.8
Missouri	4.5	7.7	8.4	14.7
Montana	5.1	8.7	8.3	14.5
Nebraska	3.2	5.4	6.2	10.9
Nevada	5.1	8.7	8.3	14.5
New Hampshire	3.1	5.3	5.7	10.0
New Jersey	6.9	11.7	6.6	11.6
New Mexico	6.6	11.2	7.9	13.8
New York	7.1	12.1	7.1	12.4
North Carolina	4.8	8.2	6.7	11.7
North Dakota	3.7	6.3	7.5	13.1
Ohio	5.9	10.0	9.3	16.3
Oklahoma	3.4	5.8	8.1	14.2
Oregon	6.8	11.6	11.3	19.8

TABLE 9
(continued)

STATE UNEMPLOYMENT RATES %

State	Annual Average 1979		January 1985 (Most Recent)	
	Official Rate	Real Rate	Official Rate	Real Rate
Pennsylvania	6.9	11.7	9.3	16.3
Rhode Island	6.6	11.2	5.6	9.8
South Carolina	5.0	8.5	7.6	13.3
South Dakota	3.5	6.6	6.1	10.7
Tennessee	5.8	9.9	9.0	15.8
Texas	4.2	7.1	7.1	12.4
Utah	4.3	7.3	7.8	13.7
Vermont	5.1	8.7	5.5	9.6
Virginia	4.7	8.0	5.9	10.3
Washington	6.8	11.6	10.6	18.6
West Virginia	6.7	11.4	15.4	27.0
Wisconsin	4.5	7.7	8.0	14.0
Wyoming	2.8	4.8	7.8	13.7

Source: U.S. Department of Labor, Bureau of Labor Statistics. Multiplier to determine real unemployment rate is 1.7 for 1979 and 1.75 for 1985.

SCHOOL DROP OUTS AND JOBLESSNESS

> Frances is a Black, 17-year-old, and a senior in high school, where she makes A's and B's. She has a 3-month-old baby and lives with her mother and five brothers. Her mother is on public assistance. While Frances was at home immediately following the baby's birth, she got her brother to bring school work home for her so that she wouldn't fall behind. She has no job experience other than helping in the high school office, would like to find part-time work to help with her baby's needs until she graduates in June, and then wants a full-time job. But if a subminimum wage is passed, she would be better off on AFDC in almost every state.

Our nation faces an ever accumulating problem of young people dropping out of high school, and experiencing almost overwhelming difficulties in the labor market because most lack even basic skills. The most recent data available from the Bureau of Labor Statistics' current population survey on school enrollment and labor market status by age for October, 1983 shows:

The Magnitude of the Problem

- Of all 16 to 19 year olds, 10.8 percent or 1.626 million are <u>not</u> enrolled in school and have not completed high school.
- Further, the fact that even a larger proportion of 20 to 24 year olds (15.8 percent or 3.278 million) are also <u>not</u> enrolled in school and have not completed high school, suggests that about 5 percent more, or an additional 755,000 16 to 19 year olds who are enrolled in school, will not complete high school by the time they reach their early 20's.
- Together, there are 4.9 million 16 to 24 year olds with less than a high school diploma and not presently in school. (See Tables A, B, and C.)

Grads Do Much Better

- In both the 16 to 19 and the 20 to 24 age groups, those not enrolled in school that have a high school diploma or more years of schooling are much more likely to be <u>employed</u> than those who have less than four years of high school.
- In the 16 to 19 age group, 66.0 percent of those not in school but with four years of high school or more are employed in comparison to 41.3 percent of those with less than a high school education.
- For 20 to 24 year olds the disparity persists with 76.5 percent of those with a high school education or more <u>employed</u> in contrast to only 51.9 percent of those with less than four years of high school. (See Tables D and E.)

Older Hispanics' Experience is Most Severe

- The proportion of Hispanics not in school and with less than four years of high school is nearly two to three times greater than the total population.

- The disparity is most pronounced for the older age group with 40.8 percent of 20 to 24 year olds in this category, suggesting that Hispanics not only drop out of school at a higher rate, but are also less likely to return to school. (See Tables A, B, and C.)

Males are Least Likely to Return to School Once Leaving

- Males are more likely to be out of school with less than a high school education. In the older age groups and especially for Blacks and Hispanics, this phenomenon would also seem to suggest that males are less likely to return to school. (See Tables A, B, and C.)

Black and Hispanic Teens Who Stay in School Still Face Severe Problems

- Black and Hispanic 16 to 19 year olds who are enrolled in school are much less likely to be employed than the total population of those in school.

- Only 10.7 percent of Black and 21.2 percent of Hispanic teens enrolled in school are employed in comparison to 32.3 percent of the total population in school.

- Because the high school dropout rates for Blacks and Hispanics are also significantly higher, especially as the two groups age, it is important to note that these two groups have both significantly less access to jobs and much higher "not in the labor force" rates. (See Tables D and E.)

October, 1983

TABLE A

School Enrollment Status of 16-19 Year Olds
(in thousands)

	Total	White	Black	Hispanic (all races)
Total Population	15,123 100%	12,460 100%	2,215 100%	1,135 100%
Enrolled In School	10,637 70.3%	8,777 70.4%	1,524 68.8%	752 66.3%
Not Enrolled In School Less than High School Diploma	1,626 10.8%	1,309 10.5%	261 11.8%	223 19.6%
Not Enrolled In School More than High School	2,859 18.9%	2,374 19.1%	429 19.4%	160 14.1%

Source: Bureau of Labor Statistics/Current Population Survey

TABLE B

October, 1983

School Enrollment Status of 20-24 Year Olds

(in thousands)

	Total	White	Black	Hispanic (all races)
Total Population	20,760 100%	17,447 100%	2,732 100%	1,452 100%
Enrolled in School	4,720 22.7%	4,006 23.0%	512 18.7%	252 17.4%
Not Enrolled In School Less than High School Diploma	3,278 15.8%	2,545 14.6%	635 23.2%	593 40.8%
Not Enrolled In School More than High School Diploma	12,763 61.5%	10,897 62.4%	1,586 58.1%	607 41.8%

Source: Bureau of Labor Statistics/Current Population Survey

TABLE C

October, 1983

Percent of Sub-Groups of Population
Not Enrolled in School With Less than High School Diploma

	Total	White	Black	Spanish origin
14-15	1.7%	1.6%	2.2%	4.0%
male	1.6%	1.7%	1.6%	2.2%
female	1.8%	1.6%	2.9%	5.9%
16-17	6.8%	7.1%	5.8%	10.2%
male	6.8%	7.2%	5.5%	10.7%
female	6.7%	6.9%	6.0%	9.8%
18-19	14.5%	13.7%	17.5%	28.9%
male	16.3%	15.6%	19.6%	32.6%
female	12.7%	11.8%	15.6%	25.6%
20-24	15.8%	14.6%	23.2%	40.8%
male	17.3%	15.9%	27.5%	44.8%
female	14.4%	13.3%	21.7%	40.9%

Source: Bureau of Labor Statistics/Current Population Survey

TABLE D

October, 1983

School Enrollment and Labor Force Status of 16-19 Year Olds
(in thousands)

	Percent	Employed	Percent	Unemployed	Percent	Not in Labor Force	Percent
Total Enrolled in School	100%	3,435	32.3%	798	7.5%	6,404	60.2%
White	100%	3,186	36.3%	650	7.4%	4,941	56.3%
Black	100%	163	10.7%	131	8.6%	1,230	80.7%
Hispanic(All Races)	100%	159	21.2%	39	5.2%	554	73.7%
Total Not Enrolled with Less than High School Diploma	100%	672	41.3%	325	20.0%	629	38.7%
White	100%	591	45.1%	239	18.3%	479	36.6%
Black	100%	59	22.6%	77	29.5%	125	47.9%
Hispanic(All Races)	100%	94	42.2%	42	18.8%	87	39.0%
Total Not Enrolled with More than High School Diploma	100%	1,888	66.0%	502	17.5%	456	15.9%
White	100%	1,739	73.3%	318	13.4%	316	13.3%
Black	100%	133	31.0%	159	37.1%	138	32.2%
Hispanic(All Races)	100%	107	66.9%	25	15.6%	29	18.1%

Source: Bureau of Labor Statistics/Current Population Survey

TABLE E

October, 1983

School Enrollment and Labor Force Status of 20-24 Year Olds
(in thousands)

	Percent	Employed	Percent	Unemployed	Percent	Not in Labor Force	Percent
Total Enrolled in School	100%	2,396	50.7%	254	5.4%	2,070	44.0%
White	100%	2,159	53.9%	186	4.7%	1,661	41.5%
Black	100%	174	34.0%	54	10.5%	284	55.5%
Hispanic(All Races)	100%	138	54.8%	21	8.3%	93	36.9%
Total Not Enrolled with Less than High School Diploma	100%	1,702	51.9%	565	17.2%	1,011	30.9%
White	100%	1,439	56.5%	386	15.2%	720	28.3%
Black	100%	208	32.8%	169	26.6%	258	40.6%
Hispanic(All Races)	100%	328	55.3%	77	13.0%	188	31.7%
Total Not Enrolled with More than High School Diploma	100%	9,759	76.5%	1,258	9.9%	1,759	13.8%
White	100%	8,697	79.8%	881	8.1%	1,320	12.1%
Black	100%	866	54.6%	347	21.9%	393	24.8%
Hispanic(All Races)	100%	419	69.4%	54	8.9%	131	21.6%

Source: Bureau of Labor Statistics/Current Population Survey

EMPLOYMENT AND TRAINING SYSTEM AND YOUTH

Renaldo is 19 years old and has grown up in New York City. Both of his parents are from Puerto Rico, and his father is still there. He lives with his mother, stepfather, two brothers, and a younger sister.

Renaldo, bored with school and into trouble, left high school in the 11th grade. He heard from a friend about Jobs for Youth, a counseling, education, job readiness, and placement program. He chose its voluntary educational component and was also placed in a job at a photo shop. He subsequently left Jobs for Youth to enter a skills training program. While he got his GED in the training program, he credits Jobs for Youth with helping him realize the need to continue his education and helping him renew that process. After he completed the skills training program, he returned to Jobs for Youth and was placed in a job as a messenger with a law firm. He has now advanced and is doing legally related work.

A substantial body of evidence exists to show that youth employment and training programs developed during the 1960s and 1970s did produce measurable results in terms of higher earnings and post-program job placements for participants. And yet, with the advent of a new round of "new federalism" and the transfer of authority to the states under the Job Training Partnership Act (JTPA), the federal government appears to want to abandon its responsibility for leadership in this area. Where the federal government has maintained its role up to now, such as with the widely recognized Job Corps Program or the Work Incentive (WIN) Program, we are told that budget cutters would eliminate these programs.

Further, where resources will be maintained in basic grants to states under JTPA, a recent survey indicates that youth programs continue to be the "Achilles' heel" of the JTPA system and that little is being done to redirect JTPA resources to more adequately meet the needs of young people.

Results from the Independent Sector Round II Assessment of JTPA programs[1/] show that:

- 80 percent of the Service Delivery Areas (SDAs) surveyed are not meeting the legal requirement to spend 40 percent of their funds on youth.
- 50 percent spent less than 60 percent of their youth funds.

1/ Grinker-Walker and Associates, New York, NY, and MDC, Inc., Chapel Hill, NC conducted on-site interviews of 25 Service Delivery Areas in 15 states, structured phone interviews of 30 additional SDAs, and structured phone interviews of all 50 states.

- Only one-third spent 90 percent of their youth money.
- 75 percent are not meeting their goals to equitably serve dropout youth.
- Only 10 percent have set up specific programs targeting young people.
- Less than one-third said targeting those most in need is a relevant issue.
- Less than 6 percent of resources available for youth have been spent on remedial education activities.
- Very few are running the exemplary youth programs recommended in Section 205 of JTPA.
- Despite the need to reach more youth, 48 percent of sites did not use the public schools as contractors for training and service for young people.
- Planned duration of programs was 20-22 weeks, but actual duration has averaged 12 weeks. Actual duration for remedial education programs has averaged only 15 weeks.
- Resources available will serve on average, across the country, only 4 percent of those eligible.

What Can Be Done?

This is not to say that the employment and training system as a whole under JTPA is a failure. Rather, it is a newly emerging program and local communities are responding to the difficult problems young people face in different ways, some very effectively. For example, a recent report from Public/Private Ventures (PPV), a private research organization in Philadelphia, Pennsylvania, documented such a success. The Summer Training and Employment Program (STEP) demonstration was carried out in Boston, Massachusetts, Pinellas County, Florida and Baltimore, Maryland in 1984, and is slotted for five additonal communities this summer. It combined remedial education with jobs for young people who were performing at one or more grade levels behind in school. Supported with JTPA funds and other resources from the private sector, the program has sought to reduce the dangerously high dropout rates among disadvantaged youth and to reinforce learning from the school year during the summer months.

The STEP program has provided participants with half-time jobs and half-time reading and math classes along with "life planning" instruction that stressed the importance of responsible social and sexual behavior. The program thus attacked two of the major causes of dropping out — academic failure and teenage parenting. According to PPV's research, pre-and post-program tests showed significant gains in reading and math, and in participants understanding of the burdens of teenage parenting.

THE SUBMINIMUM WAGE

Kathy is a 20-year-old, White, full-time college student. Since her father died several years ago, things have been financially difficult for her family. Her mother supports the family of four, three of whom attend college. Kathy has relied on federal aid and her summer job to finance her college education. The proposed cuts to student aid could make her ineligible for a guaranteed student loan. Loss of this aid, compounded by her loss of social security benefits due to Reagan's budget cuts in 1982, would place a much greater financial importance on her summer earnings. But the Administration's proposed subminimum wage threatens Kathy's ability to obtain summer employment. She fears that the restaurant she has worked for during the past few summers might decide to hire a younger person at a fraction of her pay.

The Reagan Administration repeatedly has expressed concern over the youth unemployment problem. The President's Budget, however, would cut $100 million from the summer jobs program and eliminate the successful Job Corps program. In all, the President would cut over $1.5 billion from employment and training.

In addition, the Administration's budget calls for a 25 percent reduction in student financial aid, a cut of $2.3 billion. It also requires for the first time that a student save $800.00 during the summer as a "self-help" requirement to be eligible for assistance. While many would support such a "self-help" requirement as a part of providing students with financial assistance, it is ironic that the Administration would propose a subminimum wage at the same time and apparently as a substitute for a strong youth employment and training system.

What is a Subminimum?

The subminimum wage proposal (H.R. 1811, S. 797) would reduce the minimum wage for youths, age 16-19, from $3.35 per hour to $2.50 per hour for five months a year. The theory behind the wage cut is that employers, motivated by the 25 percent reduction in wages, would create large numbers of jobs where none now exist.

The concept of a subminimum wage is not a new one, having been proposed and rejected by Congress many times since the Fair Labor Standards Act first established a uniform national minimum wage. Congress' repeated rejection of the concept was primarily due to three basic considerations:

1. a teenage subminimum would displace adult minimum wage workers who depend on the minimum for their livelihood;

2. it would be statutory endorsement of discrimination based on age; and

3. it would violate our statutory policy of equal pay for equal work.

The Administration ignores the last two considerations, and dismisses the first with assurances that employers will not dare "substitute" adults with teenagers, or face "stiff" fines and/or imprisonment.

Supporters conveniently ignore the fact that the Department of Labor (DOL) has slashed enforcement staff by over 25 percent in the last four years and cannot adequately enforce the current uniform minimum wage. Even in 1981, investigation by DOL's Wage and Hour Division on the current student certificate subminimum[1/] found that students were improperly paid 37 percent of the total hours worked under the certificate program. Food store student employees were improperly paid 51 percent of hours worked, while students in variety and department stores were underpaid 45 percent of the time.

The staff cuts, lax enforcement, and statements by the President that the "right thing to do" would be to eliminate the minimum altogether for young workers have sent employers a clear signal that compliance with the minimum wage is less of a concern, can be violated with little chance of detection, and almost no chance of penalty.

Would a Subminimum Create Jobs?

The proponents of the subminimum argue single neo-classical economic theory: if a seller reduces the price of a good or service, buyers will purchase more in the market place. This is simply the law of supply and demand. If the price of bananas is lowered from $3.35 a dozen to $2.50 a dozen, more bananas will be sold. Applying the same logic to youth, the proponents argue, more youth will be hired, and youth unemployment will be reduced.

There are several problems with this type of analysis. First, our youth are not bananas. Employers are not refraining from employing youth because of the "price," but

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1/ Current law already provides that an employer can hire a student/learner at $2.85 an hour (85% of the minimum) simply by filling out a form with four items of information, and filing it with the Secretary of Labor.

because of the lack of training and skills. Untrained youth are a commodity for which employers repeatedly have shown a lack of demand.

Second, this simplistic economic analysis only serves to buttress the concerns over displacement. If bananas are available for $2.50 a dozen, who in his right mind would buy bananas for $3.35? The adults who depend on the minimum wage for their livelihood — and 70 percent of minimum wage workers are adults — would be displaced from the market place by cheap wage competition.

Subminimum Studies

Repeated studies over the last 20 years on the concept of a youth subminimum wage found that the employment opportunities gained for youth by a subminimum would be at the expense of adult employment. When Congress last amended the minimum wage law in 1977, it created the bipartisan Minimum Wage Study Commission to investigate the impact of a youth subminimum wage. The Commission published its report in May of 1981.[1/]

The bipartisan Commission, with only one of the eight Commissioners disagreeing, soundly rejected the concept, concluding "the record does not justify the establishment of a youth differential." The reasons the Commission rejected the subminimum were many, but primarily the Commission found that the subminimum would not reduce youth unemployment without reducing adult employment, and agreed that "there should be equal pay for equal work, regardless of accidents of birth such as race, sex, ethnic or national origin, or age." The Commission concluded that a wage differential based on age would be as patently unjust and unacceptable as a Black subminimum, an elderly subminimum, or a subminimum for women.

The Experience of Other Countries

The U.S. Chamber of Commerce and Administration spokespersons have cited the experience of other countries with the youth wage differential. They claim that the lower wage rates have resulted in virtual parity in the unemployment rates for youth and adults. The facts suggest otherwise. A European Economic Community report in 1983,[2/] for

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1/ See Miminum Wage Study Commission Report (May 24, 1981).

2/ See European Econonmic Community, "Social Europe," report (1983).

example, described the experience of the 10 Common Market countries and stated: "hardest hit groups are the young people under 25 years of age whose unemployment rate of 25% now amounts to double that of adults in the Community."

A more recent 1984 publication of the Organization for Economic Cooperation and Development (OECD),[1/] notes that "unemployment which has now reached dangerously high levels, affects workers of all ages, but the hardest hit in most countries are young people."

Welfare Versus the Subminimum Wage

> Marie, a Hispanic, has a 2-year-old baby. When she got pregnant in the 11th grade, both she and the child's father dropped out of school and found employment. After living with relatives until they had saved enough money, they got an apartment. Since both of them came from single parent families, they are determined to stay together. Marie is now 19, and the father is 18. They both work as messengers, he for $5.00 an hour, she for $4.00, but with different schedules. Day care costs $85.00 a week. Marie is fiercely independent and does not want AFDC, so she is trying to get a retail job that is more secure and will allow her a chance to make a little more money. Both are concerned that their employer will find reasons to terminate them and later hire others at the subminimum wage, if it passes.

Some examples of monthly AFDC payments for two-person families are: $257 in the District of Columbia, $272 in the highest of the three regions in Virginia, $244 in Maryland, $399 in New York City, $238 in Ohio, $196 in Indiana, and $60 in Mississippi. A full-time job at the subminimum wage of $2.50 per hour would pay $400 a month; a half-time job, $200. Even with a full-time job, after paying social security and withholding taxes, transportation, and day care, a young mother is better off on AFDC — except in states like Mississippi. By contrast, a full-time job at the minimum wage of $3.35 per hour, after taxes, transportation, and day care are substracted, generally leaves a young mother in better shape than if she were on AFDC.

1/ See Organization for Economic Cooperation and Development, "The Nature of Youth Unemployment," report (1984).

The Targeted Jobs Tax Credit

One existing program, the Targeted Jobs Tax Credit (TJTC), already provides a hefty tax break to employers who hire disadvantaged youth. In effect, an employer taking full advantage of the TJTC could hire an eligible youth for a net cost of 50 cents an hour.

The theory behind the tax credit is similar to the theory behind the subminimum wage; lower the wage cost to employers, and they will create new jobs for youth. The TJTC provides employers with the opportunity to hire disadvantaged youths in the summer at a net cost of less than 15 percent of the minimum wage.

Three years of experience under this program has produced no evidence that employers created any new jobs as a result of the drastically reduced net wage costs. In fact, the evidence indicates employers who hired TJTC eligible youth would have done so even without the tax credit.

Moreover, an analysis of BLS data from the summer of 1984 shows that 400,000 fewer teenagers were working in August than in June, despite the availability of the lucrative tax incentive.

The Congressional Research Service (CRS) analyzed the TJTC and found ". . . indications are that employment of young workers has increased among TJTC-user firms but that total employment has not expanded; thus, the shift to younger workers has occurred at the expense of adult workers."1/

The failure of TJTC in creating jobs for youth raises a fundamental question: if employers were not enticed into creating new jobs at a net cost of 50 cents an hour, what makes one think they would be willing to create new jobs at the subminimum wage of $2.50 an hour?

The answer is: they wouldn't. But they will hire youth in place of adults, as the experience of the TJTC so aptly demonstrates.

1/ "Other Nations Experience with Categorical Employment Subsidies: Are There Options Suggested for the United States?" Congressional Research Service, Library of Congress (February 4, 1985).

Why is the Administration Pushing the Subminimum?

The Administration's ideology, rhetoric, and FY 1986 Budget proposal clearly reflect the dislike for expending federal funds as a remedy for most problems, particularly on employment and training programs. The President also has an intense dislike of the minimum wage itself, having stated in 1981 that "The minimum wage has caused more misery and unemployment than anything since the Great Depression."[1/]

The subminimum wage proposal would advance several goals of the President. First, it gives the appearance of "doing something" about the tragedy of youth unemployment. Second, it is "doing something" that doesn't cost a nickel, but would provide billions of dollars in wage savings for fast food and other low wage youth employers. Third, the subminimum would effectively gut the minimum wage, for which the Administration has expressed such an intense dislike.

Conclusion

The tragedy of youth unemployment will not be resolved or reduced by wage cuts. Study after study has shown the barrier to youth employment is not wages, but a lack of education, training and skills. The unemployed youth of today will be the unemployed adults of tomorrow, unless a commitment is made to invest in our young, to provide them with the skills necessary for the jobs of tomorrow. Passage of the subminimum wage would send a message to our youth that they are subminimum themselves, pit young against adult in wage competition for already scarce jobs, and leave our youth with subminimum skills and the prospects of subminimum lives.

1/ Wall Street Journal, January 30, 1980.

LEGISLATIVE ACTION TO MAINTAIN AND CREATE JOBS, TRAINING AND EDUCATIONAL OPPORTUNITIES FOR YOUTH

A deficit conscious Congress is under pressure to make further cuts in existing domestic programs. Meanwhile, only a small fraction of the youth population is being served by JTPA and other related programs. Most of the impressive array of youth employment and training programs that flourished five or six years ago have either disappeared or shrunk to very small vestiges of what they once were. Concerted action is needed in 1985 to hold the line on appropriations levels for existing programs and also to advance new initiatives. The Administration unfortunately is concentrating its efforts on passing a summer subminimum wage for youth.

Budget and Appropriations

The FY '86 Budget ought to provide more adequate resources for employment and training programs such as the Job Corps, Summer Youth Employment Program, Student Financial Aid, other nationally funded youth programs, the basic Title II JTPA grants to states, the Work Incentive Program, and support for national technical assistance and pilot projects under JTPA. Since 1981, employment and trianing programs have experienced severe cutbacks, falling from $8 billion that year to $4.4 billion in FY 1985 and $3.2 billion in the President's FY 1986 Budget proposal.

Youth Incentive Employment Act

The Hawkins-Kennedy Youth Incentive Employment Act (H.R. 671) would authorize $2 billion to provide full-time employment during the summer months and part-time employment during the school year to economically disadvantaged youth. These youth must agree to maintain performance standards at the worksite and agree to remain in or return to school, and perform satisfactorily in order to maintain eligibility for paid employment. It is modeled after a 30-month demonstration project mandated by Congress in 1977. Researchers have documented positive results, including dramatic increases in the employment rates of Black teenagers. Those involved in employing youths also have praised the pilot program approach. It would provide funds to service delivery areas under JTPA. Eligible youth would work in public agencies, private non-profit organizations, and private for-profit employers. Approximately one million low-income teenagers would be served under the program.

Community Renewal Employment Act

A meaningful jobs program is vitally needed, both to provide work for those who would remain unemployed under even the most optimstic of the Administration's economic predictions and to accomplish tasks essential to communities.

Representative Gus Hawkins (D-Calif.) has reintroduced the Community Renewal Employment Act (H.R. 870) to provide important assistance to those citizens hit hardest by the recession. The bill is targeted to long-term jobless workers in areas of high unemployment. To ensure that the work created is productive, the bill specifies activities such as repair of public facilities, conservation of public lands, and provision of day care, health and other community services. Fully 20 percent of the funds are set aside for repair work in education facilities, particularly to detect and remove asbestos in schools. The bill requires that 20 percent of the funds be spent on unemployed youth aged 16 to 19 for part-time employment combined with at least eight hours per week of education or training. Priority for employment would be given to unemployed youth who are economically disadvantaged with equitable service to school dropouts.

American Conservation Corps

H.R. 99, S. 27, which was approved by the House Interior and Insular Affairs Committee earlier this year and has now been approved by the House Education and Labor Committee, would establish an American Conservation Corps. The current House version provides "such sums as necessary" and sets state matches at 25 percent. The proposed ACC is based on earlier federal programs such as the Civilian Conservation Corps and the Young Adult Conservation Corps (YACC) which proponents argue were cost effective. The Human Environment Center notes that OMB-approved evaluations found that each $1.00 spent on YACC produced work that would have cost $1.20 by the cheapest alternative means.

In the absence of authorization for a federal program, 31 state and local governments have established their own youth conservation jobs programs. If ACC is enacted, eligible projects would include forest and soil conservation, urban revitalization, historic preservation, road and trail development, erosion control, and production of renewable energy resources.

The Summer Youth Employment Programs

Numerous studies reveal that many disadvantaged junior and senior high school students have serious basic educational deficiencies and, unlike more advantaged children, actually

regress in educational attainment during the summer months. Several legislators have suggested improvements in the Summer Youth Employment Program (SYEP). To address thes problems Representative Pat Williams (D-Mont.) has introduced H.R. 1090 to add an educational component to the Summer Youth Employment Program. The Williams bill would:

1. provide youth with basic academic and functional competencies;
2. provide counseling on the connection between skills and job prospects;
3. involve those who are behind in school in combined work experience and remedial education activities;
4. develop individual remedial strategies for each young person to pursue during the school year; and
5. add a 90 percent hold-harmless provision to insure against shifts in allocations.

The Williams legislation involves no additional federal dollars but requires (after a two-year phase-in period) that each private industrial council (PIC) raise a limited amount of non-federal funds (1.5 percent of the SYEP allocation) to pay for this effort. These locally raised funds would be matched by the state from non-federal sources or from existing federal funds available to the state under section 202(b)(1) and (3) of JTPA and under chapter 2 of the Education Consolidation and Improvement Act of 1981.

Reps. Hamilton Fish, Jr. (R-N.Y.) and Robert W. Edgar (D-Penn.) have introduced H.R. 1722. The Fish-Edgar bill would enhance the usefulness of the summer jobs programs by providing participants the opportunity to address basic education skill deficiencies as well as gain valuable work experience. It would accomplish this by channeling funds through Chapter I of the Educational Consolidation and Improvement Act. These funds — $100 million —would be targeted exclusively on JTPA Title IIB participants when an agreement exists between the local educational agency and the JTPA service delivery area.

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